



Australian Education Union

*Ground Floor, 120 Clarendon Street, Southbank, Victoria, 3006
PO Box 1158, South Melbourne, Victoria, 3205
Federal Secretary : Kevin Bates
Federal President : Correna Haythorpe*

Federal Office
*Phone : +61 (0)3 9693 1800
Fax : +61 (0)3 9693 1805
Email : aeu@aeufederal.org.au
Web : www.aeufederal.org.au*

27/10/2023

Childcare Inquiry Taskforce
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Email: childcareinquirytaskforce@accc.gov.au

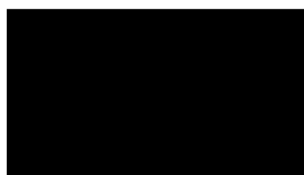
Dear Sir/Madam,

Re: AEU submission to the Australian Competition and Consumer Commission Childcare Inquiry Interim Report

Please find attached the Australian Education Union's submission to the Australian Competition and Consumer Commission Childcare Inquiry Interim Report.

Please contact me if you have any questions in relation to our response.

Yours sincerely,



Kevin Bates
Federal Secretary



Submission

to the

Australian Competition and Consumer Commission
Childcare Inquiry Interim Report

27 October 2023

Correna Haythorpe
Federal President

Kevin Bates
Federal Secretary

Australian Education Union
Ground Floor, 120 Clarendon Street
Southbank Vic 3006
PO Box 1158
South Melbourne Vic 3205

Telephone: +61 (0)3 9693 1800
Web: www.aeufederal.org.au
E-mail: aeu@aeufederal.org.au

The Australian Education Union (AEU) represents over 193,000 educator members employed in the public primary, secondary, early childhood, and TAFE sectors throughout Australia. We welcome this opportunity to present our response to the Australian Competition and Consumer Commission (ACCC) Childcare Inquiry Interim report. The AEU believes that a high quality properly resourced Early Childhood and Care (ECEC) system is the key to a more equitable and democratic society and a fundamental entitlement of all Australian children, regardless of their background, family income, circumstances or where they live.

The early years of life are a period of rapid growth and development as children form their language, social, emotional and physical skills, and undergo significant cognitive development. These years provide the foundation for learning throughout school and beyond.

-Alice Springs (Mparntwe) Education Declaration (2019)¹

High-quality ECEC is a vital component of the public education system and an entitlement of all Australian children. It is integral to the educational, social, physical, and emotional development of children. The first few years in a child's life are the most important time for brain development and the key to building good social and emotional skills, which smooth a child's transition into school. Children who attend ECEC can expect to achieve greater academic success, have better career prospects, better health and stronger family and personal relationships.

In addition to the significant long-term individual benefits for children, investment in high-quality ECEC also has significant benefits for families and for the social and economic fabric of our community. The importance of the link between access to high-quality ECEC and success in school education and later life cannot be overstated.

In this submission, we will respond to selected draft recommendations from the Inquiry's Interim Report.

Response to ACCC Draft Recommendation 2a

The AEU agrees with the ACCC that “the additional costs associated with providing childcare services in remote areas and to children with disability and/or complex needs”² and that “adjustments to reflect the additional costs of serving these households would be appropriate, particularly where supporting educational and development outcomes is a high priority.”³

The AEU asserts that just as educational disadvantage doesn't start with school, support for children experiencing disadvantage should not be delayed. Rather, additional support should be put in place to ensure they have greater opportunities for success when they begin formal schooling.

In order to build a truly universal system of ECEC, the commonwealth should support states and territories with targeted funded programs to support children and families with particular needs. Together with a base allocation of funding, loadings should be allocated within the framework of a National Equity Program based on the number of children identified as disadvantaged or having special needs, targeted both at increasing participation and redressing disadvantage/meeting additional needs.

¹ [The Alice Springs \(Mparntwe\) Education Declaration - Department of Education, Australian Government](#)

² [Childcare inquiry \(acc.gov.au\)](#) p. 30

³ *Ibid.*

An example of targeted equity funding occurs in Victoria with School Readiness Funding for three- and four-year-old preschool programs. Each year additional funding is allocated to every preschool on the basis of the needs of children enrolled at the service informed by parental occupation and education data. Teachers and the service provider look at the local needs of the community, analyse local-level data, and plan for a program of support to enhance learning and build the capacity of staff. Preschools identified at the highest level of need can receive over \$200,000 per year of extra funding.

The AEU suggests that the ACCC examine how inclusion support packages are working to ensure children and staff are getting support when they need it. Developmental vulnerabilities are best targeted early in a child's life, and early intervention is critical to their future success. For example, ECEC services should have free access to nurses and allied health professionals such as speech pathologists and physiotherapists. They could also provide pathways for referrals to child psychologists and paediatricians, and work with NDIS liaison partners. Where these services are not integrated onsite, a weekly or regular drop-in model could provide an effective means of support and connection.

Parents and caregivers also need to be set up for success. Appropriate outreach is important to identify families who need extra support in a way that is not perceived as punitive, to enable them to access universal programs and then be connected to the specialist programs they need.

The AEU recommends that the ACCC examine the benefits of the colocation of services as described by the Centre for Policy Development:

We know that co-located services are more likely to be accessed by vulnerable families. Co-location of ECEC services, preschools and schools, or shared use of facilities, can improve connections and transitions. Place-based planning and asset management can ensure that schools and early childhood services are readily accessible to everyone in the community, and provide support for those who most need it. Co-located services could also offer significant benefits in delivering integrated, wraparound services.⁴

Coordination between early childhood, health and family services and co-location of services could be significantly expanded to provide a seamless continuum of education and care from birth to 5 years and beyond. Ideally, families should have access to a wide range of services in a single location such as long daycare, preschool, outside school hours care, and schooling, particularly for families experiencing disadvantage.

AEU Recommendation 1: *That the ACCC expand on its draft recommendation 2a to propose the development and application of ECEC loadings to preschool funding within the framework of a National Equity Program to increase participation, meet additional needs and to redress disadvantage.*

AEU Recommendation 2: *That the ACCC examine the potential for additional funding to allow co-location of ECEC with schools and greater integration with allied health professionals to help children and implement effective early intervention is provided.*

⁴ Centre for Policy Development, *Starting Better: A guarantee for young children and families*, November 2021, p. 18.

Response to ACCC Draft Recommendation 2c

The AEU notes the following finding in chapter 2:

“These observations suggest that the activity test is regressive in effect for low income households and may result in those cohorts of children missing out on the educational and developmental benefits of childcare as well as creating a barrier to workforce participation. By removing the activity test, some parents and guardians may face fewer barriers to using childcare and providers may have a greater incentive to supply to more disadvantaged and remote areas of Australia, as more households in these areas will be able to access the Child Care Subsidy. This would support educational and development outcomes for children, particularly those facing social or economic disadvantage.”⁵

A report from Impact Economics and Policy, *Child Care Subsidy Activity Test: Undermining Child Development and Parental Participation*, shows that the activity test is contributing to at least 126,000 children from the poorest households missing out on critical early childhood education and care.⁶

As children from disadvantaged backgrounds are more likely to reap greater educational benefits from quality ECEC, it is vitally important that accessible and high-quality preschool is available to children from low income households without the imposition of an arbitrarily set barrier, and it is particularly important that quality ECEC is available to those children living with multiple compound disadvantages, including one or more of remoteness, poverty, and disability.

The AEU agrees with recommendation 2c and calls for the activity test to be abolished. In addition, we recommend that the ACCC extend its analysis of the detrimental impact of the activity test to First Nations families in addition to those facing economic disadvantage. The failure to progress on this target is a prime example of why it is essential that barriers such as the activity test are removed for all children.

The importance of removing the activity test for Aboriginal and Torres Strait Islander parents

The AEU notes the introduction of a base level of 36 subsidised hours of childcare per fortnight for First Nations children, regardless of activity levels, and considers this an important first step towards the removal of the activity test. As detailed in the annual Closing the Gap report, Aboriginal or Torres Strait Islander children are underrepresented by almost 50% among Child Care Subsidy claimants and are twice as likely to be developmentally vulnerable in one or more domains when they start school compared to non-Indigenous children.¹⁷

In addition to improving affordability the removal of the activity test would also serve as recognition of the additional cultural labour and responsibility experienced by many Aboriginal and Torres Strait Islander parents and carers, whether this occurs in the workplace where they are often expected to undertake additional work requiring a cultural responsibility or in the broader community.

The serious issues of inequality between Aboriginal and Torres Strait Islander people and other Australians revealed by the Closing the Gap report should be of the utmost concern to this

⁵ [Childcare inquiry \(accc.gov.au\)](https://www.accc.gov.au) p. 31

⁶ Impact Economics and Policy, *Child Care Subsidy Activity Test: undermining child development and parental participation*, 2022.

Inquiry. The 95% target for Aboriginal and Torres Strait Islander Children enrolled in year before schooling early childhood education has improved and was met at 96.7% in 2022 after falling as low as 86.4% in 2018, however progress against other targets has stalled and even regressed.⁷

Closing the Gap Target 4 to “increase the proportion of Aboriginal and Torres Strait Islander children assessed as developmentally on track in all five domains of the AEDC to 55%” provides a stark and concerning picture of the result of the failures of successive governments to remove barriers to preschool attendance, which is the primary driver of ensuring that developmental milestones are monitored and met. The 2018 baseline for this target was 35.2% and by the latest measurement in 2021 the rate of Aboriginal and Torres Strait Islander children assessed as developmentally on track in all five domains has declined to 34.4%. Given that preschool is such a fundamental foundation for future achievement this regression is of the utmost concern.

A comprehensive literature review and quantitative analysis by the Australian Institute of Family Studies (AIFS) of preschool participation among Aboriginal and Torres Strait Islander children shows that the value of preschool education is supported by many Australian and overseas studies which identify a range of specific preschool attendance benefits. Improved language, literacy, numeracy, cognitive and problem-solving skills at the start of formal schooling are just some of the established individual gains identified by the study.⁸

The activity test, as it currently exists, directly discriminates against Aboriginal and Torres Strait Islander families. The AEU welcomes the Commonwealth Government's recent changes to the activity test for Aboriginal and Torres Strait Islander families, but it does not go far enough and should be removed completely. Universal access cannot truly be achieved whilst barriers such as the current activity test exist. The activity test also fails to recognise that the children who are missing out stand to benefit the most from high quality ECEC.

***AEU Recommendation 3:** That the activity test is abolished for all parents of children attending ECEC to ensure access for the most economically vulnerable children and to remove discrimination towards Aboriginal and Torres Strait Islander children and parents.*

Response to ACCC Draft Recommendation 4

The AEU agrees that “staffing availability has emerged as one of the most significant challenges affecting the supply of childcare services in Australia.”⁹ And that “less attractive pay and conditions relative to other industries (particularly preschools and primary schools)”, “increasing responsibilities and burdens on educators remaining in the sector” and “the need for staff to allocate (unpaid) personal time to study for required qualifications”¹⁰ are the key drivers of staffing shortages in the sector. A sector whose workforce is predominantly made up of women.

The AEU strongly agrees with the following points that the ACCC has found contribute to workforce shortages:

- status and recognition of educators and early childhood teachers
- pay discrepancies with other relevant sectors, such as primarily school teaching

⁷ <https://www.niaa.gov.au/sites/default/files/publications/niaa-closing-the-gap-annual-report-2022.pdf> p. 63

⁸ Hewitt, B, & Walter, M, *Preschool participation among Indigenous children in Australia*, Australian Institute of Family Studies, 2014, retrieved from <https://aifs.gov.au/publications/family-matters/issue-95/preschool-participation-among-indigenous-children-australia>

⁹ [Childcare inquiry \(acc.gov.au\)](https://www.accc.gov.au/childcare-inquiry) p. 22

¹⁰ [Childcare inquiry \(acc.gov.au\)](https://www.accc.gov.au/childcare-inquiry) p. 22

- provision of time for planning and reporting
- the impact of training requirements on childcare educators and early childhood teachers, and whether paid placements and scholarships would be appropriate
- the impact of regulatory reporting and record keeping on educators, teachers, and directors¹¹

The AEU agrees with the ACCC’s finding that “essential to the provision of childcare services is a stable educator workforce. Educators and centre managers drive the quality, reputation, and viability of providers, through the education, care and connections they provide to children and households.”¹² Addressing workforce shortages is crucial and must be paramount. Investing in the attraction and retention of a qualified workforce by offering secure, well-paying jobs is the cornerstone of a quality and sustainable ECEC system.

Prioritizing the status, recognition, and pay of educators and teachers will directly improve the quality of care provided to children and reinforce the importance of investing in public ECEC provision. Underinvestment in the ECEC workforce has exacerbated staff turnover and holds back the quality of ECEC despite the best efforts of those working in the sector.

The acute shortage of teachers and educators requires immediate attention with the Australian Children’s Education & Care Quality Authority estimating that the early childhood sector will require an additional 16,000 educators and 8,000 teachers by November 2025.¹³ The AEU welcomed the commitment in the 2023-24 federal budget to invest in the professional development and upskilling of the early childhood workforce. In particular the \$33 million allocated to fund paid practicums for EC educators undertaking ITE, but much more work is required.

The *Lifting Our Game* report identified that “the most important factor in delivering quality is a skilled and stable workforce” and “Overall, the most influential factors affecting quality, across age groups and service settings, are the education, qualifications, and training of the workforce. Higher educator qualifications are associated with better child outcomes.”¹⁴

But the workforce is at a crisis point, with persistent high turnover and ongoing challenges in attracting and retaining staff. The impacts of poor morale and turnover on quality education and outcomes for children are profound. Secure employment, appropriate recognition, remuneration, career paths and the status of early childhood teachers and educators must be a priority. This must include parity of salary and conditions with other education sectors, irrespective of the location or centre type in which preschool education is provided and must ensure fair and reasonable workloads. Raising the status of the profession within society should also be a priority, to help the community understand the expertise and qualifications required to teach young children.

The undervaluing of early childhood teachers’ work and the increase in early childhood teachers’ workloads was recently recognised in a significant decision of a Full Bench of the Fair Work Commission regarding the historical and current undervaluing of their work.¹⁵ The Commission held that the rates of pay for such teachers were never properly set, with the rates of pay failing to reflect teachers’ work value as degree-qualified professionals.¹⁶ In addition to recognising this historic injustice, the Commission went on to detail the increased work value of teachers in the

¹¹ [Childcare inquiry \(acc.gov.au\)](https://www.accc.gov.au) p. 33

¹² [Childcare inquiry \(acc.gov.au\)](https://www.accc.gov.au) p. 10

¹³ Australian Children’s Education & Care Quality Authority, *National Children’s Education and Care Workforce Strategy (2022-2031)*, September 2021.

¹⁴ Pascoe and Brennan, *Lifting our Game*, 2017.

¹⁵ ‘Equal Remuneration and Work Value Decision’, 2021, FWCFB 2051

¹⁶ *Ibid*, at [645].

sector since 1996, highlighting the increase in training requirements required to enter the profession; the increasing professional accountability (particularly greatly increased expectations regarding reporting and being accessible to parents and families); the increasing complexity of the work (e.g. outcomes-based education and differentiated teaching, with associated increases in documentation and analysis of students' individual educational progress); and the teaching and caring for a more diverse student population (particularly for children with additional needs).¹⁷

Recognising the investment that governments make to the provision of ECEC, they also have primary responsibility to set the regulatory and legal frameworks to ensure that early childhood professionals are properly remunerated and that the conditions of their work are acceptable.

While the recent amendments to the Fair Work Act that support multi-employer bargaining will be an important step to improving wages in the female-dominated ECEC sector, it will require a genuine tripartite commitment from employers, more than half of whom operate for profit, unions and government. Any improvement to wages and conditions in the sector should not result in increased costs shifted onto parents and carers by way of increased fees.

Australia's ECEC sector is staffed by a professional, dedicated, hard-working, well-educated workforce. Data collected through the National Workforce Census estimates 85% of the ECEC workforce hold a qualification, including 12% with a bachelor's degree and above, and 14.1% with a degree in teaching. In 2021, 1 in 4 ECEC staff were studying for a qualification. This illustrates that workers in the sector are active in acquiring additional qualifications, to help sustain their careers, increase job security and earnings and contribute to a higher quality service provision.¹⁸

Figure 1 Median weekly earnings before tax¹⁹



Despite the high level qualifications held by ECEC teachers and educators and the significant ongoing study that many participate in, wages for non-teacher qualified educators are 34% less than the national median wage for all jobs, and earnings for Childcare Centre managers are also lower than the national average.

Robust qualification requirements set teachers and children up for success. Maintaining the integrity of early childhood teaching qualifications is critical to lifting the status of the profession

¹⁷ Ibid, at [604]-[644].

¹⁸ Dean, M. Educating for Care: Meeting Skills Shortages in an Expanding ECEC Industry, The Carmichael Centre at the Centre for Future Work, 2022.

¹⁹ Source: <https://snapshots.acecqa.gov.au/workforcedata/profile.html>

and helping the community appreciate that early childhood teachers, like those in schools, *are* qualified teachers. However, the maintenance of qualification integrity must be matched through commensurate pay.

Mechanisms that ensure proper registration and accreditation procedures must be adopted for all early childhood teachers. This is necessary to promote confidence in the profession and recognise the unique skills and qualifications that the job requires. Any professional development requirements attached to registration must enable early childhood teachers to exercise their professional judgment about what professional development best suits their needs, and staff supported to undertake professional development in paid time.

Quality early childhood education is characterised by appropriate child-teacher ratios and group sizes, appropriately qualified and trained teachers and educators with opportunities for ongoing professional development, and enriching, well-equipped, caring and secure environments in approved and accredited locations, all of which should be defined and enforced by regulation. This is recognised in the National Regulations that detail the staffing and qualification requirements for all ECEC services. It is a worrying trend that there has been a marked increase in the proportion of services with a staffing waiver over the last ten years.

Figure 2 Proportion of services with a waiver by quarter and waiver category²⁰

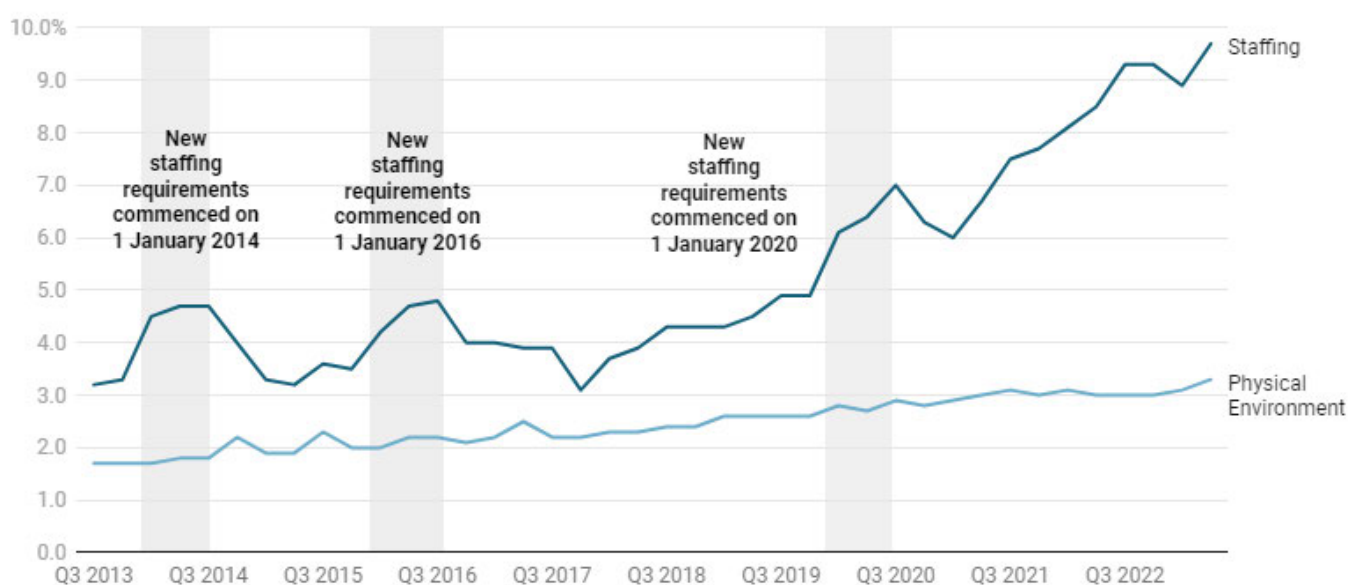


Figure 2 shows that the use of staffing waivers by ECEC services has more than tripled from 2017 to 2023 and as of July 2023 have reached the highest level ever recorded, with a particular surge from 6% of providers to almost 10% from 2021 onwards. The use of waivers is becoming increasingly entrenched as standard operating procedure across many providers. Caution must be taken when regulation is misrepresented as “red tape” by some in the sector, as those arguing for the removal of “red tape” such as the need to attain waivers for not meeting minimum staffing levels are often seeking to diminish staff qualification and educator-child ratio requirements in order to reduce costs and boost profits, thus undermining quality provision.

²⁰ ACECQA, NQS Snapshot, Waivers, July 2023, <https://snapshots.acecqa.gov.au/Snapshot/waivers.html>.

It's no coincidence that the majority (68.9%) of staffing waivers have been issued to private for-profit providers²³ where the pursuit of shareholder profit is prioritised over the delivery of quality programs delivered by fully qualified staff. Temporary staffing waivers should only be issued where absolutely necessary if it meant children would otherwise miss out on a program.

***AEU Recommendation 4:** That stronger obligations on employers to offer conversion to employees inappropriately engaged in casual and fixed-term employment are imposed.*

***AEU Recommendation 5:** That employers are obliged to regularly review the use of casual and fixed-term employment in their education workforces, and to consult with the relevant unions when doing so.*

***AEU Recommendation 6:** That employment approaches and professional structures that support stable careers with opportunities to develop, progress and lead are promoted. Investing in educators' time and careers requires a funding model that does not encourage providers to manage costs by cutting over-ratio time and undervaluing planning, preparation, and supervision effort.*

***AEU Recommendation 7:** That waivers should be carefully monitored by state/territory regulatory authorities and ACECQA and that penalties for the misuse of waivers are strengthened and that services that frequently make use of waivers are compelled to demonstrate their efforts to secure fully qualified staff or help existing staff upskill.*

Response to ACCC Draft Recommendation 6

The AEU agrees with the ACCC that government intervention is required to ensure that families of all cohorts in all locations should have access to affordable and high quality ECEC.

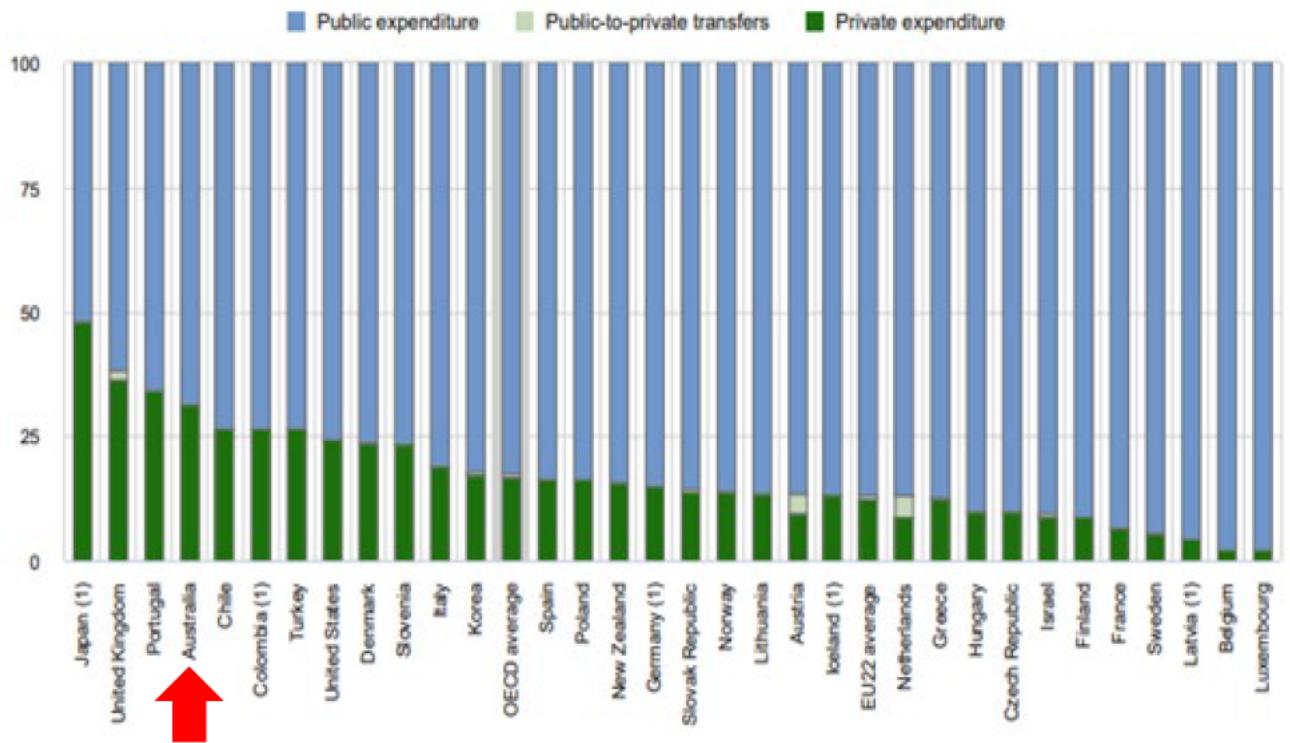
However, the AEU asserts that governments must go beyond the “market stewardship role” envisioned at draft recommendation 6 of the Interim report and instead that it must extend to ensuring the delivery of services through the universal provision of publicly managed ECEC services rather than continuing to rely on the private sector.

The sector's reliance on private for-profit providers (who are largely publicly subsidised) which now make up 52% of all services in the ECEC sector has failed to deliver a more affordable or accessible system. By contrast, government, including services in state and territory schools, deliver only 11% of ECEC services currently.²¹ With subsidies and access to places in preschool varying from state to state.

Australia is substantially behind other developed countries behind when it comes to public investment in ECEC. Australia's expenditure on pre-primary education is 0.3% of GDP, half of the OECD average of 0.6% of GDP for 3-5 year olds - equal third lowest in the OECD. Australia's preschool expenditure per child aged 3-5 years is \$7,399 US, 20% less than the OECD average of \$9,260 US and 23% less than the EU average of \$9,564 US per child. Enrolments in private preschools in Australia are almost triple the OECD average and private expenditure on ECEC is increasing. 86% of children are enrolled in private pre-primary institutions, almost three times higher than the OECD average of 33%.

²¹ Source: ACECQA 2023

Figure 3 Distribution of public and private expenditure on educational institutions in pre-primary education²²



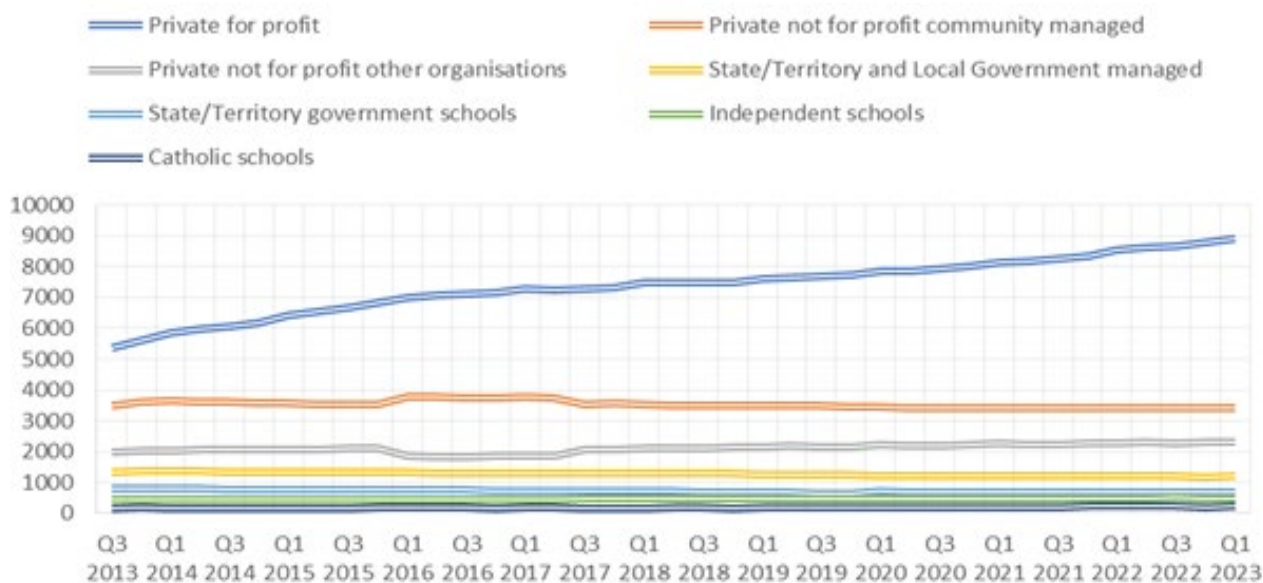
From 2005-2020 Australia’s enrolment rate, measured according to OECD standards, improved from 77% to 82% of 3-5 year olds, but it still lags behind the OECD average of 87% and the European Union average of 91%.³³ Only 65% of three year olds are enrolled in ECEC in Australia, far behind the OECD average of 78%, and 87% of four year olds are enrolled in ECEC in Australia, again lower than the OECD average of 88%.³⁴ This places Australia squarely in the bottom third of the OECD rankings for both 3 and 4 year old enrolment, behind the top half of OECD countries, all of which have enrolment rates above 90%.²³

All children in Australia have the right to be given the very best start in life. Full investment must be made in the public provision of ECEC, as it is only through the public education system that families have a right to accessible and free early education.

²² OECD, *Education at a Glance*, 2023

²³ *Ibid.*

Figure 4 Number and Management Type of ECEC services 2013 – 2023²⁴



There is an inherent problem with the framing of a child’s early learning and care in Australia as a “market”. Huge amounts of taxpayer funding is now funneled to for-profit providers to the sole benefit of their shareholders, and at the expense of the female-dominated workforce who prop up the sector that go unrecognised, underpaid, and undervalued for their efforts. The primacy of the profit imperative in ECEC is to the nation’s detriment and fails children and families and the early childhood workforce.

At the very least, priority of funding should be directed towards community-based and not-for-profit services, recognising that the education and care of young children should not be a “market” where young children are viewed as commodities to be profited from. Services in receipt of government funding should be subject to robust funding agreements that require funding to be allocated to programs for children with a focus on quality provision. A rigorous system of auditing and transparency should be established to identify service providers that breach their funding agreements.

The Chifley Research Centre has found that public ECEC provision is of superior quality to private provision. Their 2020 report concluded that public and not for profit ECEC providers are much higher quality than for profit and that 70% of state/territory or local government managed services exceed quality standards compared to 27% of private for profit services. The report finds that higher staff spend correlates with higher quality and low staff spend correlates with low quality and recommends that governments increase investment in ECEC and that the public sector needs more certainty on funding to ensure sustainability, that there must be increased transparency on provider spending on quality, and that funding should be premised on quality universal access.²⁵

The AEU urges the ACCC to consider the intrinsic motivation of private providers and how available funding is spent including the proportion of revenue to staff and to profits, the demographic attributes of the cohort of children attending the service and the relative advantage or

²⁴ ACECQA, *Op. cit.*

²⁵ Chifley Research Centre, *Investing in Australia’s early childhood infrastructure*, 2020, retrieved from <https://www.chifley.org.au/publications/investing-in-australias-early-childhood-infrastructure/>

disadvantage of the area the service is located when considering in its final report how to best service childcare deserts and thin markets.

The ECEC market model is not designed to adequately meet the needs of Australia's children, and the system requires government delivery of ECEC services, not just stewardship of an already broken market.

The overreliance on private providers is a threat to quality provision and drives the undervaluing of early childhood professionals. Two recent studies have shown that for-profit ECEC providers spend a significantly lower proportion of total expenditure on educators than for not-for-profit providers. As most of the sector is run on a for profit basis and as wages are the largest cost component of ECEC services, an incentive is then created for private, for-profit centres to reduce expenditure on staff by “reducing hours, minimising the number of highly trained educators, and rostering on a high proportion of casual workers.” A 2020 study contended “while not all for-profit providers minimise costs to a degree that may compromise quality, the nature of this business model means that there is an inbuilt push in this direction. This is especially the case in markets where lower fees are a key factor in provider financial viability and/or family participation.”²⁶ Similarly, a 2022 study found that “many of these private companies also exhibit significant problems with standards compliance and quality of service provision” and that “the NQF [National Quality Framework] has consistently found that most private providers leave significant room for improvement.”²⁷

This contention is borne out by analysis of ACECQA National Quality Framework and Standards Data conducted by PricewaterhouseCoopers (PWC). As shown at Table 1, below, for-profit childcare services have lower quality service ratings than those run by not-for-profit providers. Private providers are less than half as likely (19% vs. 41%) to be rated as exceeding or excellent than community managed providers and much less likely than other not for profit providers to be rated exceeding for excellent (19% vs. 33%). For profit, private providers are also much more likely to receive the lowest possible quality rating of “working towards National Quality Standards at 21% compared to 14% for community providers and 8% for other nonprofit providers. PWC found that this totals 1,121 private for-profit childcare services that do not meet National Quality Standards.

²⁶ Chifley Research Centre, *Investing in Australia's Early Childhood Infrastructure*, 2020.

²⁷ Dean, M. *Educating for Care: Meeting Skills Shortages in an Expanding ECEC Industry*, The Carmichael Centre at the Centre for Future Work, 2022.

Table 1: ECEC service by quality ratings, provider type and market share²⁸

	Centre-based care services			Pre-school / Kindergarten		
	Exceeding or Excellent	Working Towards NQS	Share of national services (%)	Exceeding or Excellent	Working Towards NQS	Share of national services (%)
Private for profit	19%	21%	66.70%			
Private not for profit community managed	41%	14%	12.34%	57%	7%	49.58%
Private not for profit other organisations	33%	8%	13.99%	59%	3%	10.30%
State/territory and local Government managed				70%	3%	21.19%
State/territory government schools				44%	11%	10.89%
Independent schools				62%	5%	5.70%
Catholic schools						

Further analysis of the PWC NQS data by the Chifley Research Centre found three primary barriers to achieving a high quality publicly funded Early Education and Care sector as a key part of Australia’s economic and social infrastructure. The main barriers are that:

1. Quality varies by provider type with fewer for-profit centre-based care providers exceeding national quality standards, and more for-profit services not meeting quality expectations.
2. To a better understanding the impact educator expenditure levels have on service quality is needed, as higher spending on educators and teachers appears to be linked to higher service quality
3. There is a lack of information about key aspects of providing ECEC services which means we have limited capacity to address issues, such as provider viability and workforce longevity, that are essential for the long-term system sustainability²⁹

The quality of private ECEC providers fell even further through 2021, with the latest analysis of NQF, as summarised by the Carmichael Centre at the Centre for Future Work, showing that:

The NQF report for the fourth quarter of 2021 found that just 16 per cent of private for-profit providers exceeded national quality standards (68 per cent met minimum standards), whereas 51 per cent of government services exceeded national quality standards (ACECQA 2021). The United Workers Union (2021b, p. 4) analysed NQF data and found that nearly three quarters of over 12,000 enforcement actions for quality and safety breaches since 2015 were incurred by PFP providers. This is evidence that the current market-based system of ECEC has produced damaging outcomes for ECEC workers and participants alike, commodifying an important economic and public service.³⁰

As shown in Table 2, for profit ECEC providers of all sizes spend significantly less on educators and teachers than not for profit providers do, leading to the finding that although not conclusive

²⁸ Chifley Research Centre, *Investing in Australia’s Early Childhood Infrastructure*, 2020, p.ii

²⁹ Chifley Research Centre, *Investing in Australia’s Early Childhood Infrastructure*, 2020, p.ii

³⁰ Dean, M. *Educating for Care: Meeting Skills Shortages in an Expanding ECEC Industry*, The Carmichael Centre at the Centre for Future Work, 2022, p.15

“there seems to be a correlation between the provider types achieving poor quality outcomes, and those spending less on educators.”³¹

Table 2: Analysis of expenditure on educator and teacher wages by provider type³²

	Not for Profit ECEC providers			For profit ECEC providers			Primary school
2019 annual reporting	Large NFP provider 664 services 70,700 children	Medium NFP provider 131 services 12,369 children	Small NFP provider 60 services 10,000 children	Large for-profit provider 379 services 54,000 children	Medium for-profit provider (May 2019) 86 services 7,405 children	Small for-profit provider 21 services No. of children not reported	Australian government primary schools (2017-18) ¹³
Wages as a % of expenses	70%	76%	66%	59%	63%	61%	79.5%

The clear motivation of private ECEC providers to sacrifice employee conditions and quality care in pursuit of increased profits should be a focus of the ACCC’s Final Report. In concluding, the AEU makes the following recommendations to increase the accountability of existing private providers and to encourage a substantial increase in public delivery of ECEC into the future.

AEU Recommendation 8: *That the Commonwealth Government, in partnership with the states and territories, maintains responsibility for funding, planning, and delivering dedicated preschool accessible to all children in the year before school.*

AEU Recommendation 9: *That the commonwealth partner with states and territories to prioritise investment in government or community-run not for profit services, particularly in regional and remote communities.*

AEU Recommendation 10: *That providers are required to disclose their expenditure on key areas that affect service quality, including educator and teacher spending, retention and turnover rates, and operating surpluses.*

AEU Recommendation 11: *That collection of higher quality data about current provision costs, including the level and nature of expenditure on educators, is mandated to underpin more targeted investment in educators’ time and careers.*

³¹ *Ibid.* p.7

³² *Ibid.* p.7